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C O N F I D E N T I A L SECTION 01 OF 04 SHANGHAI 000049

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SUBJECT: SHANGHAI MAYOR HAN ZHENG GETS SECOND TERM

CLASSIFIED BY: Kenneth Jarrett, Consul General, U.S. Consulate  
General Shanghai, Department of State.  
REASON: 1.4 (b), (d)

11. (C) Summary: Despite earlier speculation that Mayor Han Zheng would be reassigned elsewhere, he was re-elected to a second five-year term at the end of Shanghai's Municipal People's Congress (MPC) on January 30. Contacts are mixed as to whether Mayor Han will complete his term. The MPC also appointed three new vice mayors. Five out of Shanghai's eight vice mayors are now recent appointees. Meanwhile, the reviews on Party Secretary Yu Zhengsheng remain mixed. One contact painted Yu as a reformer who is not afraid to criticize governmental departments or receive criticism. Another thought that Yu lacked the sophistication to run a city such as Shanghai. The Shanghai MPC and the Chinese People's Political Consultative Conference (CPPCC) meetings, which took place from January 23-31 emphasized Shanghai's development in support of national plans for the Yangtze River Delta. The meetings also stressed the importance of transparency and vowed that the government would take measures to fight corruption. Shanghai's handling of the opposition to the extension of the Magnetic Levitation (Maglev) train will be an important test case. End Summary.

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Mayor Han Zheng: Five More Years?  
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12. (C) Contrary to speculation that Mayor Han Zheng would be moved out of Shanghai, he received another 5-year term on January 30. During a discussion with Poloff on January 30, Carlyle Group's Yi Luo asserted that Han Zheng was retained as Mayor to provide continuity, since Party Secretary Yu Zhengsheng is still new to the Shanghai context and will need time to get up to speed. Luo suggested that Yu probably saw working with Han as necessary at least for now. Luo doubts that Han will move on to a position of any political significance once he leaves his current post. Tongji University Professor Frank Peng, in a separate discussion on January 28, also expects that Han will not serve a full five-year term. In a reminder that doubts about Han Zheng's role in the pension scandal still linger, Luo said the Party most likely has some incriminating information about Han but would have "lost too much face" if both Party Secretary Chen Liangyu and Mayor Han had been removed for the same scandal. Han Zheng, however, does have his admirers. Shanghai MPC researcher Zhou Meiyan told us February 1

that Han will stay on, saying that Han and Yu get along well. She added that during a recent meeting, Mayor Han was very relaxed and spoke passionately and spontaneously. She took this as a sign that he is no longer worried about his future and would serve the full five years in Shanghai.

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New Vice Mayors Named  
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13. (C) Some speculate that Han Zheng may also be staying to smooth the transition at the vice-mayoral level. Five of eight vice mayors have been appointed since December 2007, three of them on January 30. According to Shanghai MPC Standing Committee Member Wang Guangchang in a conversation with the Consul General on January 29, the major turnover reflects the need to comply with central directives about the composition of vice mayors. Beijing has instructed that vice mayors be younger, have functional expertise, include a woman and a non-CPC representative, and be limited to two terms. Zhou also described the significant turnover in vice mayors as the result of these requirements.

14. (C) Yang Xiong, Tang Dengjie, and Hu Yanzhao will continue as vice mayors. Yang Xiong will become the new Executive Vice Mayor. The three new vice mayors newly are Shen Xiaoming, Shen Jun, and Zhao Wen. Shen Xiaoming was the Shanghai Education Commission Director; Shen Jun was the Shanghai MPC Deputy Secretary General; and Zhao Wen is a member of the non-CPC Jiu

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San Society Shanghai branch. Zhou said that the choice of Zhao Wen was a surprise and that no one was sure why Yang Dinghua, who was appointed vice mayor in 2006, was replaced. Ai Baojun and Tu Guangshao, who were appointed vice mayors in December 2007, were re-elected at the MPC. Both bring significant experience in business to the roster. Ai comes from the

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Baosteel Shanghai office, while Tu is a former chairman of the Shanghai Stock Exchange. Zhou asserted that Ai and Tu are viewed as being sent from Beijing, since Baosteel is a centrally-owned enterprise and Tu most recently served as vice-chairman of the China Securities Regulatory Commission in Beijing.

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Yu Zhengsheng: Initial Impressions Mixed  
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15. (C) Zhang Renren of Weyerhaeuser told Poloff on January 28 that he was "not impressed" with Yu and was concerned about his handling of the protests against the Maglev. Carlyle's Luo observed that Yu has not left much of an impression even after three months. Yu has had little visible impact so far, said Luo.

He believes Yu is treading carefully while getting the lay of the land in Shanghai, trying not to antagonize members of the Shanghai political establishment. Citing the son of an official in Beijing, Luo said that he doesn't expect anything significant from Yu for at least 12-18 months.

16. (C) Zhou was much more positive about Yu and said "many people" like him, particularly his willingness to criticize departments within the Shanghai government. For example, Zhou says Yu recently criticized an unspecified government agency for not being transparent in its operation. Zhou suggested that Yu would bring about more transparency to the Shanghai government. She noted that, upon his arrival, Yu was surprised at the lack of transparency in Shanghai's budget. During Yu's tenure in Hubei, according to Zhou, he ensured that information about the government's budget was made available online.

17. (C) Zhang said that even if Beijing is hopeful that Yu can break the Shanghai gang, Shanghai is a "complex and important place" and that outsiders (alluding to Yu) lack the "sophistication" to run a city like Shanghai.

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The Maglev  
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¶8. (C) Many contacts see the Maglev protests as an important "test" case for the Shanghai Government. Luo affirmed that the government is indeed keeping tabs on public opinion and taking it into account, for better or for worse. On the thorny issue of the Maglev expansion, however, Luo and Zhang Renren of Weyerhaeuser both asserted that the Shanghai Municipal Government will likely proceed with the project to Hongqiao airport despite public opposition, though it may be more cautious in moving forward. Zhang interpreted Yu Zhengsheng's statement on the early January protests to mean the government will wait out the protests but not change its policy. Zhang described the government's promises to listen carefully to suggestions as just "window dressing."

¶9. (C) According to Postal Bureau's Wang Guangchang, the Maglev issue was the subject of much discussion during the MPC, and no final decision has been made. At a press conference following the close of the MPC, Han Zheng told media on January 31 that the city plans to provide another opportunity for public input on the Maglev project. Zhou Meiyuan is optimistic that the government will take the public's views seriously and said that if it did not make any changes there would be negative consequences.

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People's Congress Meeting: Emphasis on Central Government  
Initiatives  
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¶10. (C) Indicating an effort to portray alignment with Beijing, the "two sessions" of the Shanghai MPC and the Shanghai CPPCC gave prominence to a number of central policies and initiatives, including the "scientific development concept" and "good and fast development." Han Zheng's Government Work Report at the first session of the MPC emphasized the central leadership's "Four Leads" vision for Shanghai, in which the city is exhorted to "take the lead" in transforming its economic growth mode, enhance independent innovation, advance reform and opening-up, and build a "socialist harmonious society." In line with this vision, the Government Work Report promised "clear results" in creating a conservation-oriented, environmentally friendly city as one of the government's key tasks for the next five years.

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According to Zhou Meiyuan, Han Zheng gave an unusual "supplemental" speech the day following the Government Work Report, the content of which mainly focused on environmental issues.

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Shanghai's Future as Economic Pacesetter  
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¶11. (U) "Independent innovation" was a central theme of the Report and media reporting on the two sessions. As its first key task, the Government Work Report calls for laying the groundwork for Shanghai to become an international economic, financial, trade, and shipping center (the "Four Centers") by ¶2020. The Government Work Report emphasizes planning Shanghai's development in the context of national plans for the Yangtze River Delta, as well as the need for Shanghai to serve China as a whole. Han Zheng cited a modest GDP growth rate target of 10%, another sign of deference to central government policies. The English language Shanghai Daily on January 26 quoted Party Secretary Yu Zhengsheng as telling the CPPCC that "every

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decision we make should take a nationwide perspective, even if the choice might push Shanghai to the edge of economic loss." Yu urged the city to "be willing to take risks" in areas such as high-tech research and development for the sake of the "whole of

China."

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Transparency Push in Wake of Chen Liangyu Scandal  
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¶12. (U) The Government Work Report noted that the social security fund scandal involving former Party Secretary Chen Liangyu (whose name was explicitly mentioned) caused "enormous damage" and left Shanghai with "grave lessons to ponder." The scandal "projected a very negative image of Shanghai's efforts for reform and development" and "exposed weaknesses, flaws, and loopholes" in Shanghai's "systems of governance and supervision."

¶13. (C) Drawing lessons from the scandal, the Government Work Report promised efforts to improve transparency, particularly in management of public finances. Shanghai will make information about its budget available in the form of annual reports and will publish government procurement lists. The city will also introduce third-party evaluation of government spending, in addition to review of departmental budgets and proceeds from land leases by the Municipal People's Congress. The Report also promises "enhanced oversight" of social security fund management and "more rigorous auditing" and publication of audit results of key projects. Although last year's Work Report touched on these issues, this year's provided more details on Shanghai's efforts. In addition, MPC researcher Zhou Meiyan highlighted this section, saying it had caught her attention.

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Paying Attention to Public Opinion?  
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¶14. (U) Accompanying the attention to economic development goals, the two sessions also focused on issues of more immediate impact on people's lives and ways to "ensure development benefits for all." Raising incomes, job creation, expanding social security coverage, and providing affordable housing and access to public transportation were presented as some of the near term goals. The Government Work Report noted that Shanghai hopes to cap registered urban unemployment at 4.3 percent, provide 100,000 new low-rent apartments and 300,000 affordable housing units, and increase education expenditure to 4 percent of GDP.

¶15. (U) A poll on the Jiefang Daily website during the two sessions asked what issues visitors to the site were following most closely. Housing (30 percent), social security (12 percent), environment (9 percent), increasing incomes (9 percent), and employment (8 percent) received the most votes. Improving the transportation system (7 percent) and ensuring food safety (6 percent) were also issues of some concern.

¶16. (U) The Government Work Report calls for "integrating" public participation and expert evaluation into government decision making, in order to "make sure that citizens are effectively involved" in the legislative process. Public opinion surveys, public notification, and public hearings are

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identified as ways to involve the public. The Report also calls for "rigorous review and evaluation by public opinion and by ordinary citizens" in evaluations of government performance.  
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